AN EMPIRICAL ANALYSIS OF THE DETERMINANTS OF BANK PROFITABILITY IN ROMANIA

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ABSTRACT: Our paper aims to investigate the factors that have an influence upon the profitability of Romanian commercial banks, between 2003 and 2011. The results of our study show that Romanian banks’ profitability is influenced by both bank-specific factors and changes in the external environment. In the case of bank-specific factors, the results of our study reflect that bank profitability is significantly influenced by asset quality, management quality and banking liquidity. Among external factors, it turns out that banking concentration and economic growth rate have an important impact on bank profitability.

Keywords: commercial banks; profitability, bank specific factors, industry-specific variables, macroeconomic variables

JEL Codes: G21, C23, M20